



# EXCHANGE

## Subcommittee on Capital Markets

**Richard H. Baker, Chairman**  
Securities, Insurance, Government-Sponsored Enterprises

**The News from U.S. Rep. Richard H. Baker**  
**Sixth District, Louisiana**

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### Opening Statement

The Honorable Richard H. Baker, Chairman  
House Subcommittee on

Capital Markets, Insurance and Government Sponsored Enterprises  
Financial Services Committee Hearing, September 26, 2001

“Operations of the securities and insurance industries in the aftermath of the Sept 11 terrorist attacks”

Thank you, Mr. Chairman. I want to thank all of our witnesses for appearing before Congress at a time when they no doubt must attend to incomparably pressing matters.

The World Trade Center attack was a demonic assault on thousands of innocent people but also an act of intolerance, fear, and hatred to vanquish the uncontrollable vibrancy of private enterprise and the freedom represented in America's financial system. The professionalism, determination, and integrity demonstrated in the days that followed by the very witnesses appearing here today, however, have sent the clearest signal that the terrorists failed.

In fact, since September 11<sup>th</sup> the heroic and even selfless acts of private enterprise have shown more clearly than at any time before the inherent goodness and rightness of the “free” in our free-market society. I daresay they also serve as an inspirational reminder to lawmakers that, more than any well-intentioned assistance we might devise, it is the resiliency and spirit of private enterprise that has made our country prosperous and great and will lead us out of our current difficulties.

I want to share briefly with the committee a few anecdotal items following the destruction of the World Trade Center as examples of what I mean:

- Verizon and Con Edison's inexhaustible efforts to rebuild communication and power connections to assist in rescue and recovery at “ground zero” and to assure the smooth and timely reopening of markets;
- Paine Webber providing employees of Lehman Brothers, its competitor, office space;
- The NYSE's allowing the use of trading platforms by the American Stock Exchange and all revenues generated using NYSE equipment;
- NY Life Foundation's contribution of \$4 million to relief efforts, on top of that and countless other insurance companies' swift payment of claims.

I point out these actions to illustrate the resourcefulness and resolve of the American entrepreneurial spirit under adversity. But moreover, it's to caution fellow members of our busybody Congress against imposing

additional rules and restrictions at the precise time when our capital markets are in direst need of expanded freedom to recuperate.

Instead, perhaps we can make it our goal to show the same level of federal restraint and flexibility within the public-private partnership that helped bring the markets back open. Sometimes the most meaningful contribution we in the legislature can make is to get out of the way. And this is truly one of those times to support the efforts of the executive branch to use existing government resources and facilities that encourage the private sector to do what it does so well and what it alone knows how to do – getting America working, investing, risk-taking and growing again.

I know I don't need to remind the SEC that along with protecting investors, its second mission is promoting and facilitating capital formation. We also know that much talk is circulating over the need to regain consumer and investor confidence and how best to provide stimulus for a stalling economy. To that end, if there's anything I would ask of you today, Mr. Pitt, it is this. That you continue working to assist the executive branch through the powers currently at your disposal and advice about those you deem might be useful to eliminate all unnecessary federal burdens that limit capital formation.

With regard to the insurance industry's commendable response to the tragic events on September 11<sup>th</sup>, today's testimony and all of the reports I have seen indicate the insurance industry is in a good position to deal with the tremendous losses, estimated as high as \$70 billion, associated with these events.

While we are not here today to discuss any particular legislative or policy agenda, there has already been much talk in the press of how the insurance industry will react to the new underwriting environment. These discussions have ranged from opening the Fed discount window to insurers to establishing the federal government as the insurer of last resort with regard to terrorist activity. At this time, I am not taking a position on such proposals and in fact believe any discussion of congressional action at present is premature.

Instead, I would like to offer a general observation in the context of current and possible future federal responsibility to assist industries shaken by catastrophic events, but particularly those like insurance that traditionally have been regulated on the state level. As a general rule I do not believe the federal government should intercede to prop up a marketplace unless the President of the United States in consultation with the Federal Reserve determines that a failure to act would virtually lead to that marketplace being turned upside down.

In this particular case, and in my capacity of subcommittee oversight, I would be extremely reluctant to accept any plan that puts the taxpayer on the hook for insurable losses when there is no federal office that exercises any real jurisdiction over the solvency and business practices of the industry. In other words, consider a friendly southern note of caution about trying to escape an unsettling situation: if you throw a saddle on that horse, you can't gripe about where it takes you.

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